

Service Date: February 14, 1990

DEPARTMENT OF PUBLIC SERVICE PECULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

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IN THE MATTER of the Application of	)	UTILITY DIVISION
the Regulated Members of the TELEPHONE	)	
EXCHANGE CARRIERS OF MONTANA (TECOM)	)	DOCKET NO. 89.11.41
for Authority to Decrease Rates for	)	
Intrastate Access Services.	)	ORDER NO. 5434a

FINDINGS OF FACT

1. On November 3, 1989, the Regulated Members of the Telephone Exchange Carriers of Montana (TECOM), consisting of Lincoln Telephone Company, Project Telephone Company, and Southern Montana Telephone Company (Applicants) , filed an application with the Montana Public Service Commission (Commission) for authority to decrease rates for intrastate carrier access services.

2. Applicants, as well as the unregulated members of TECOM, recover their costs of providing access to the local networks for origination and completion of interexchange long distance calls by imposing access charges on the interexchange carriers who utilize those services. Applicants access service costs have been established using FCC Part 36 and 69 cost studies. Applicants' previous access charge rates were based upon 1987 cost studies which used Part 67 and 69 cost study methodologies.

3. Applicant rate decrease proposals filed in this Docket are based upon updated 1988 Part 36 and 69 cost studies. Applicants submit that current access rates are

in excess of the rates needed to allow recovery of access costs as identified in the 1988 studies and propose to reduce rates by 4.33% on an aggregate basis. The proposed rates would be as follows:

Rate Element	Current Rate	Proposed Rate	Increase/ Decrease
Common Line	\$ .0431	\$ .0354	\$ (.0077)
End Office	.0311	.0352	.0041
Local Transport	<u>.0320</u>	<u>.0310</u>	<u>(.0010)</u>
Total	\$ .1062	\$ .1016	\$ (.0046)

These rates would result in an annual revenue reduction of \$502,245 as follows:

Rate Element	Demand	Current Rate	Proposed Rate	Increase/ Decrease
Common Line	110,410,607	4,758,697	3,907,522	(851,175)
End Office	110,844,271	3,477,257	3,903,726	456,469
L. Transport	110,844,271	<u>3,547,017</u>	<u>3,439,477</u>	<u>(107,539)</u>
Total		\$11,752,971	\$11,250,725	(\$502,245)

4. The proposed rates shown above are calculated in a manner consistent with the Commission's last TECOM Order No. 5404a in Docket No. 89.3.4. Participants in the task force reviewing these compensation arrangements agreed that Part 36 and 69 cost study methodologies were reasonable as a basis for TECOM rates.

5. On November 20, 1989, the Commission adopted interim Order No. 5434 which granted the proposed decrease of \$502,245.

6. On December 8, 1989, TECOM filed a stipulation between TECOM and U S West Communications in which TECOM agreed to freeze rates for three years at the level of Interim Order 5434 with progressive decreases implemented through carrier access charge credits. The credits will be implemented in the following amounts:

1990	\$300,000
1991	\$450,000
1992	\$500,000

These amounts will be reflected as a monthly credit to TECOM's Carrier Access Bills. The amount will be credited to each interexchange carrier based on one-twelfth (except for 1990) of the annual credit multiplied by the ratio of each carrier's switched access charges billed by TECOM for the month. The credit will be implemented with the billing cycle beginning February 16, 1990.

7. In the stipulation U S West Communications agreed to be an interexchange carrier for intraLATA message toll for a three year period commencing January 1, 1990. U S West Communications also agreed to provide intraLATA operator services to TECOM end users for the same period.

8. Both parties to the stipulation reaffirmed their support of the Rocky Mountain Unity Agreement signed January 7, 1989k and the goals and principles stated therein.

9. TECOM agreed not to oppose any U S West Communications efforts before the Commission or Montana Legislature that would replace rate base/rate of return regulation with an alternative such as price caps or revenue sharing and provide for

pricing flexibility on optional services for the term of the stipulation with the following conditions on optional services for the term of the stipulation with the following conditions:

- A. Any such efforts do not result in complete deregulation of services that are currently regulated.
- B. Any such efforts do not violate any of the principles and agreements set forth in the Rocky Mountain Unity Agreement.
- C. Any such efforts do not result in deaveraging the prices for services offered by U S West Communications to both its local exchange customers and local exchange customers of the independent local carriers. This shall not be construed to prevent U S West Communications from offering or providing volume or other discounts as long as any such discounts are offered in a manner that does not discriminate against customers residing in areas served by independent local exchange carriers.

10. U S West Communications agreed that should any TECOM member choose to file individual carrier access tariffs, the credit discussed above would be reduced by an amount equal to that member's contribution and frozen rates will be adjusted to the level that would have existed absent that member's participation in the TECOM pool.

11. On January 9, 1990, the Commission issued a Notice of Opportunity for Public Hearing and Stipulation Meeting. In the Notice the Commission stated that a request for hearing was due by January 25, 1990. No protests or requests for a hearing were received by the Commission. On January 25, 1990, a stipulation meeting was held at the Public Service Commission where representatives from TECOM and U S West Communications explained the benefits of the stipulation from their respective points of view. The stipulation is intended to provide a period of time to both TECOM and U S

West Communications to focus on other issues. After examining the stipulation, the Commission finds that the stipulation should be approved with the following conditions.

12. The Commission notes that the stipulation is intended to “freeze” rates for a period of three years, with an increasing access charge credit in each of the three years. Although the Commission concurs that the rates provided in the stipulation are reasonable at this time, the Commission retains the power to investigate TECOM rates on its own initiative at any time in the future, or on request of an interested party, if it appears that the rates charged pursuant to the stipulation may be unjust or unreasonable. See Sections 69-3-201, 69-3-324, and 69-3-321, MCA. That is, the three year term of the stipulation is not binding on the Commission and does not restrict its statutory ratemaking authority.

13. In the stipulation, U S West Communications and TECOM “reaffirm” their support for the “Rocky Mountain Unity Agreement.” A copy of this agreement was presented to the Commission during the public meeting held in this Docket on January 25, 1990.

14. The Commission notes that the “Rocky Mountain Unity Agreement” is simply a “framework for the expression of common views” and “basic goals” which the signatories agree to support before state commissions and legislatures. SEE Rocky Mountain Unity Agreement, preamble. Although the Commission may agree in principle with some of the concepts expressed in the Unity Agreement, it is unnecessary to express an opinion or take a position on these various issues for purposes of setting the TECOM access charge rates at this time. Since the broad positions espoused in the Unity Agreement are largely beyond the scope of this Docket and irrelevant to the

Commission's decision herein, the Commission expresses no opinion, either in support or opposition to any provisions of the Unity Agreement. Obviously, the Commission may be faced with specific issues involving these concepts in the future, and will express its opinion as deemed necessary based upon the facets before it in a fully developed record.

15. Paragraph 6 of the stipulation contains a highly unusual provision which purports to prohibit TECOM from opposing efforts by U S West Communications, before the Commission or Montana Legislature, to "[replace] rate base/rate of return regulation with an alternative such as price caps or revenue sharing..." with certain limitations. U S West Communications recently submitted an informal proposal to the Commission regarding alternative regulation. The Commission therefore anticipates extensive analysis and discussion of this proposal in the future. It is exceedingly premature for the Commission to express any opinion on the merits of such a proposal. However, the Commission notes with some concern that the provisions of Paragraph 6 may be void as contrary to public policy. See Sections 28-2-701 and 28-2-602, MCA. That is, TECOM's agreement to not oppose U S West Communication's proposals before the Commission or Legislature may unlawfully restrict the constitutional right to communicate with public officials and/or the statutory right to appear and present arguments and views before administrative agencies.

#### CONCLUSIONS OF LAW

1. The Applicants, Lincoln Telephone Company, Project Telephone Company, and Southern Montana Telephone Company, are corporations providing regulated telecommunications services within the State of Montana and, as such, are public utilities within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission is properly exercising jurisdiction in this Docket pursuant to Applicants' request under Sections 69-3-302 and 69-3-904(1) (b), MCA.

ORDER

1. Applicants' request for a rate reduction which was modified by the stipulation filed with the Commission on December 8, 1989, is hereby GRANTED on a final basis.

2. Rates approved herein shall be effective for services rendered on and after February 16, 1990.

DONE AND DATED this 12<sup>th</sup> day of February, 1990, in open session by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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CLYDE JARVIS, Chairman

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HOWARD L. ELLIS, Commissioner

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WALLACE W. "WALLY" MERCER, Commissioner

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JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Peck  
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision.  
A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.